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Department of the Treasury
Washington, DC 20224

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Legend

Distributing =

Controlled =

DRE1 =

DRE2 =

DRE3 =

DRE4 =

DRE5 =

Sub1 =

Sub2 =

Sub3 =

A Notes =

B Notes =

C Notes =

D Notes =

Date 1 =

State A =

Distributing Business =

Controlled Business =

Business A =

Business B =

Agreements =

a =

b =

c =

d =

e =

Transition Services
Agreement =

Intellectual Property
Matters Agreement =

DBS License =
Agreement

Dear :

This letter responds to a letter dated August 6, 2019, submitted on behalf of Distributing, its affiliates, and its shareholders, requesting rulings (the "Ruling Request") on certain federal income tax consequences of a series of proposed transactions (the "Proposed Transaction," as defined below). The material information submitted in that request and subsequent correspondence is summarized below.

This letter is issued pursuant to Rev. Proc. 2017-52, 2017-41 I.R.B. 283, as amplified and modified by Rev. Proc. 2018-53, 2018-43 I.R.B. 667, regarding one or more "Covered Transactions" under section 355 and/or section 368 of the Internal Revenue Code (the "Code").

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

This office has made no determination regarding whether the Distribution (defined below): (i) satisfies the business purpose requirement of Treas. Reg. section 1.355-2(b); (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see section 355(a)(1)(B) and Treas. Reg. section 1.355-2(d)); or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation, or any predecessor or successor of the distributing corporation or the controlled corporation, within the meaning of Treas. Reg. section 1.355-8 (see section 355(e)(2)(A)(ii) and Treas. Reg. section 1.355-7).

Summary of Facts

Distributing, a publicly-traded State A corporation, is the parent company of a worldwide group of foreign and domestic affiliates (the “Distributing Group”). Distributing and its domestic affiliates join in the filing of a consolidated U.S. federal income tax return. At the time of the Proposed Transaction, Distributing will have a single class of voting common stock issued and outstanding (the “Distributing Common Stock”). Prior to the Proposed Transaction, Distributing and its subsidiaries will be engaged in the Distributing Business and the Controlled Business.

Immediately before the Proposed Transaction will be undertaken, Distributing directly will own all of the issued and outstanding equity interests in DRE1, DRE2, DRE3, DRE4, DRE5, Sub1, Sub2, and Sub3. DRE1, DRE2, DRE3, DRE4, DRE5, Sub1, Sub2, and Sub3 directly or indirectly will hold all the assets, liabilities, and entities that constitute the Controlled Business.

As of Date 1, which was the date of Distributing’s last fiscal quarter-end prior to the date that Distributing’s board of directors first had discussions with respect to the Proposed Transaction, Distributing had amounts outstanding under: (i) a delayed-draw term loan facility due in 2020 in an aggregate principal amount of a (as such facility may be modified to extend its maturity through the date of the Debt-for-Equity Exchange (defined below), the “Term Loan”), (ii) a U.S. dollar-denominated commercial paper program (the “US CP Program”), (iii) a Euro dollar-denominated commercial paper program (the “Euro CP Program,” and, together with the US CP Program, the “CP Programs”), and (iv) a five-year b senior unsecured term facility maturing in 2022 (the “Foreign Term Loan”). Additionally, as of Date 1, the A Notes, the B Notes, the C Notes, and the D Notes (collectively and together with the Term Loan, the CP Programs, and the Foreign Term Loan, the “Distributing Debt”) issued by Distributing were outstanding.

For purposes of satisfying the active trade or business requirements of section 355(b) with respect to the Distribution, Distributing and the members of its “separate affiliated group” as defined in section 355(b)(3)(B) have relied on Business A, and Controlled and the members of its “separate affiliated group” as defined in section 355(b)(3)(B) have relied on Business B. Financial information has been submitted in accordance with Rev. Proc. 2017-52 indicating that each of Business A and Business B has had gross

receipts and operating expenses representing the active conduct of trade or business for each of the past five years.

Proposed Transaction

The following transactions (the “Proposed Transaction”) occurred or will occur to separate the Controlled Business from the Distributing Group:

Step 1: Distributing formed Controlled with one authorized class of common stock (the “Controlled Stock”) and no authorized classes of preferred stock.

Step 2: Distributing will contribute all of the ownership interests in DRE1, DRE2, DRE3, DRE4, DRE5, Sub1, Sub2, and Sub3 to Controlled (the “Contribution”) in exchange for all of the issued and outstanding shares of Controlled Stock and cash (the “Controlled Cash”) in an amount not to exceed the Controlled Proceeds (defined below).

Step 3: Controlled will borrow cash (the “Controlled Debt Proceeds”) from third-party lenders through capital markets borrowing and/or certain senior secured credit facilities.

Step 4: Distributing will transfer shares of the Controlled Stock representing up to c percent of the total combined voting power of all Controlled Stock, less the percentage of Controlled Stock sold by Controlled in the IPO (defined below), to the Exchange Banks in exchange for (and in retirement of) a portion of the Distributing Debt (such exchange, the “Debt-for-Equity Exchange” and such portion, the “Distributing Exchange Debt”). Thereafter, Distributing understands that the Exchange Banks will sell their shares of the Controlled Stock to third-party investors for cash as part of an initial public offering (the “IPO”).

Step 5: In the IPO, Distributing expects that Controlled will also issue and sell shares of Controlled Stock to third-party investors for cash (the “Controlled Stock Proceeds” and, together with the Controlled Debt Proceeds, the “Controlled Proceeds”). The total amount of Controlled Stock sold in the IPO by the Exchange Banks and Controlled will represent less than c percent of the total combined voting power of all Controlled Stock.

Step 6: After the expiration of the lock-up period associated with the IPO, Distributing will distribute shares of Controlled Stock representing d percent or more of the total combined voting power of all Controlled Stock to its shareholders in exchange for Distributing Common Stock pursuant to a registered exchange offer (the “Split-Off”), and, if necessary, the Back-End Distribution (defined below). Assuming the exchange offer is fully subscribed, Distributing will distribute all issued and outstanding shares of Controlled Stock that it owns pursuant to the Split-Off.

Step 7: If Distributing retains any Controlled Stock following the Split-Off, Distributing will distribute any such remaining Controlled Stock to its shareholders on a pro rata basis (the “Back-End Distribution” and together with the Split-Off, the “Distribution”).

Step 8: Distributing will use an amount of cash (from its general accounts) equal to or greater than the amount of the Controlled Cash to repay outstanding Distributing Debt, make distributions to Distributing shareholders, and/or repurchase shares of Distributing Common Stock within e days following the Distribution.

Distributing and Controlled will enter into an agreement that sets forth the terms of the Proposed Transaction and will govern the allocation of various items including liabilities (the “Separation Agreement”). Distributing also will enter into certain customary agreements (the “Agreements”) with Controlled regarding tax (the “Tax Matters Agreement”) and employee matters (the “Employee Matters Agreement”). Following the Distribution, Distributing will have certain continuing business relationships with Controlled. The specific agreements include the Transition Services Agreement, the Intellectual Property Matters Agreement, and the DBS License Agreement.

Following the Distribution, a majority of Controlled’s board of directors will consist of independent board members. Under Controlled’s governing documents, Controlled’s board will be empowered to manage the corporation’s business, except with respect to certain matters traditionally reserved to shareholders.

Representations

The following representations have been made with respect to the Proposed Transaction:

Except as otherwise provided below, Distributing has made all the representations provided in section 3 of the Appendix to Rev. Proc. 2017-52, as of immediately prior to the Distribution.

Distributing has made the following alternative representations set forth in section 3 of the Appendix to Rev. Proc. 2017-52, as of immediately prior to the Distribution:

Representations 3(a), 8(b), 11(a), 15(a), 22(a), 31(a), and 41(a).

Distributing has made the following representations as applied to the Back-End Distribution but not to the Split-Off, to which they do not apply:

Representations 5 and 6.

Distributing has made the following representation as applied to the Split-Off but not to the Back-End Distribution, to which it does not apply:

Representation 7.

Distributing has not made the following representations:

Representations 25, 40, 45, and 46.

Distributing has made the following modified representations:

Representation 32: No intercorporate debt will exist between Distributing and Controlled at the time of the Distribution, and no intercorporate debt has existed or will exist between Distributing and Controlled subsequent to the Distribution, except in each case for (i) amounts payable under the Agreements and (ii) trade payables arising in the ordinary course of business.

Representation 33: Except with respect to certain payments made pursuant to the Transition Services Agreement, payments made in connection with all continuing transactions, if any, between Distributing and Controlled after the Distribution will be for fair market value based on arm's-length terms.

Distributing has made the following additional representation:

Distributing will use an amount of cash (from its general accounts) equal to or greater than the amount of the Controlled Cash to repay outstanding Distributing debt, make distributions to Distributing shareholders, and/or repurchase shares of Distributing Common Stock.

Except as otherwise provided below, Distributing has made all the representations provided in Rev. Proc. 2018-53 as of immediately prior to the Distribution. For purposes of the representations below, terms used but not otherwise defined herein have the meanings set forth in Rev. Proc. 2018-53.

Distributing has made the following modified representations:

Representation 3: The holder of the Distributing Exchange Debt that will be assumed or satisfied will not hold the debt for the benefit of Distributing, Controlled, or any Related Person. With respect to the Debt-for-Equity Exchange, the Exchange Banks will not acquire the Distributing Exchange Debt from Distributing, Controlled, or any Related Person. Neither Distributing, nor Controlled, nor any Related Person will participate in any profit gained by the Exchange Banks upon an exchange of Section 361 Consideration; nor will any such profit be limited by agreement or other arrangement. The value of the Section 361 Consideration received by the Exchange Banks in satisfaction of the Distributing Exchange Debt will be determined pursuant to arm's length negotiations.

Representation 4: Except with respect to amounts outstanding under the Term Loan and the CP Programs that, in each case, will not exceed the aggregate

amounts outstanding under the Term Loan or the CP Programs, as applicable, as of the submission of the Ruling Request or the following dates, Distributing incurred the Distributing Exchange Debt (a) before the submission of the Ruling Request and (b) no later than 60 days before the earliest of the following dates: (i) the date of the first public announcement (as defined in section 1.355-7(h)(10)) of the Divisive Reorganization or a similar transaction, (ii) the date of the entry by Distributing into a binding agreement to engage in the Divisive Reorganization or a similar transaction, and (iii) the date of approval of the Divisive Reorganization or a similar transaction by the board of directors of Distributing.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows:

1. The Contribution, together with the Distribution, will be a reorganization within the meaning of section 368(a)(1)(D). Distributing and Controlled will each be “a party to a reorganization” under section 368(b).
2. No gain or loss will be recognized by Distributing on the Contribution. Section 361(a); Section 361(b); Section 357(a).
3. No gain or loss will be recognized by Controlled on the Contribution. Section 1032(a).
4. The basis in each asset received by Controlled in the Contribution will equal the basis of that asset in the hands of Distributing immediately before the transfer. Section 362(b).
5. The holding period in each asset received by Controlled in the Contribution will include the period during which the asset was held by Distributing. Section 1223(2).
6. No gain or loss will be recognized by Distributing upon the distribution of the Controlled Stock in the Distribution. Section 361(c).
7. No gain or loss will be recognized by (and no amount otherwise will be included in the income of) holders of Distributing Common Stock upon the receipt of Controlled Stock in the Distribution. Section 355(a).
8. The basis of the Controlled Stock in the hands of a holder of Distributing Common Stock who exchanges Distributing Common Stock for Controlled Stock in the Distribution immediately after the Distribution will be the same as the basis of the Distributing Common Stock exchanged therefor. Section 358(a).

9. To the extent that Controlled Stock is distributed to holders of Distributing Common Stock on a pro rata basis pursuant to the Back-End Distribution, the aggregate basis of the Distributing Common Stock and the Controlled Stock in the hands of such holders immediately after the Back-End Distribution will be the same as the basis of the Distributing Common Stock immediately before the Back-End Distribution on which such distribution was made, allocated in proportion to the fair market values of the Distributing Common Stock and the Controlled Stock. Sections 358(a)-(c) and Treas. Reg. section 1.358-2(a)(2).
10. If a holder of Distributing Common Stock that purchased or acquired shares on different dates or at different prices is not able to identify which particular share of Controlled Stock is received in exchange for, or as a distribution with respect to, a particular share of Distributing Common Stock, the holder may designate which particular share of Controlled Stock is received in exchange for, or as a distribution with respect to, a particular share of Distributing Common Stock, provided the designation is consistent with the terms of the Distribution. Treas. Reg. section 1.358-2(a)(2)(vii).
11. The holding period of each holder of Distributing Common Stock in the Controlled Stock received in the Distribution will include the holding period of the Distributing Common Stock exchanged therefor or with respect to which a distribution of Controlled Stock was made, provided that such Distributing Common Stock is held as a capital asset on the date of such Distribution. Section 1223(1).
12. Earnings and profits of Distributing will be allocated between Distributing and Controlled in accordance with section 312(h). Treas. Reg. section 1.312-10(a) and Treas. Reg. section 1.1502-33(e).
13. No gain or loss will be recognized by Distributing in the Debt-for-Equity Exchange other than any (i) deductions attributable to the fact that the Distributing Exchange Debt may be redeemed at a premium, (ii) income attributable to the fact that the Distributing Exchange Debt may be redeemed at a discount, and (iii) interest expense accrued with respect to the Distributing Exchange Debt. Section 361(c).

Caveats

No opinion is expressed or implied about the tax treatment of the Proposed Transaction under any other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings.

Procedural Statements

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this ruling letter must be attached to any federal income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this ruling letter.

Sincerely,

Mark J. Weiss
Branch Chief
(Corporate)

cc: